

Message Text

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C O N F I D E N T I A L PARIS 28137

E.O. 11652: GDS

TAGS: EGEN FR

SUBJECT: Giscard speaks on new economic order

1. IN OCTOBER 28 SPEECH TO POLYTECHNIC COLLEGE (WHICH NUMBERS HIM AMONG ITS DISTINGUISHED ALUMNI), PRESIDENT GISCARD D'ESTAING MADE WHAT HAS BEEN TREATED BY PARIS PRESS AS IMPORTANT SPEECH ON DEVELOPMENT OF A REPEAT A NEW INTERNATIONAL ECONOMIC ORDER. SPEECH CONTAINS LITTLE NEW BUT SHEDS SOME INTERESTING LIGHT ON FRENCH THINKING AT BEGINNING OF PRODUCER-CONSUMER DIALOGUE.

2. GISCARD INTRODUCED SPEECH WITH BY NOW FAMILIAR FRENCH DESCRIPTION OF BACKGROUND TO CURRENT WORLD ECONOMIC PROBLEMS: MONETARY DISORDER CAUSED BY DOLLAR SURPLUS AND FLOAT, DISPARITIES IN ECONOMIC GROWTH RATES BETWEEN LDCS AND DCS IN SPITE OF TWO DECADES OF GENERAL INCREASE IN PROSPERITY, AND CATALYZING EFFECT OF

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1973/74 OIL PRICE RISES. HE NOTED THAT ALL OF THESE

CONDITIONS HAD CREATED ESPECIALLY DIFFICULT SITUATION FOR MSAS, AND CONCLUDED THAT ESSENTIALLY NEW WORLD ECONOMIC ORDER MUST BE CREATED TO SEEK AVOID COMPARABLE SHOCKS IN FUTURE.

3. NEW ECONOMIC ORDER, ACCORDING TO GISCARD, SHOULD BE BASED ON NEW EQUILIBRIUM OF RELATIONS IN TRADE, ECONOMIC ACTIVITIES, MONETARY EXCHANGES, AND NATIONAL INCOMES. IN TRADE FIELD, GISCARD CALLED FOR COMMODITY-AGREEMENT APPROACH (WITH SPECIAL EMPHASIS ON LDC-PRODUCED PRIMARY COMMODITIES), STABILITY OF EXPORT EARNINGS (CITING LOME AGREEMENT, WHICH HE INDICATED SHOULD BE EXTENDED TO OTHER COUNTRIES), AND EXTENSION OF GENERALIZED PREFERENCES (WITHIN LIMITS) TO LDC INDUSTRIAL PRODUCTS. ON QUESTION OF EQUILIBRIUM IN ECONOMIC ACTIVITIES, GISCARD LIMITED HIMSELF TO NOTING NEED FOR WORK TOWARD INCREASING AGRICULTURAL PRODUCTION IN LDCS, INCREASING VALUE ADDED TO LDC EXPORTS, INCREASED TRANSFER OF TECHNOLOGY, AND PROMOTION OF INVESTMENT IN LDCS. ON MONETARY ISSUE, GISCARD CALLED FOR STABILIZED BUT FLEXIBLE EXCHANGE RATES, AND THE ESTABLISHMENT OF SOME CONNECTION BETWEEN AID TO LDCS AND INTERNATIONAL LIQUIDITY CREATION. FINALLY, IN DEALING WITH EQUILIBRIUM OF INCOMES, GISCARD SIMPLY REITERATED FRANCE'S PLEDGE TO MEET ITS .7 PERCENT OF GNP GOAL FOR AID IN 1977. IN SUMMATION, GISCARD POINTED OUT THAT FRANCE IS WORKING ACTIVELY TOWARD CREATION OF THIS NEW ECONOMIC ORDER: HE ALSO ALLOWED HIMSELF SOME SELF-CONGRATULATORY REMARKS ABOUT THE SUCCESS OF PREPCON II AND THE APPROACHING CIEC. ON A NOTE OF REALISM, HE ALLUDED TO THE DIFFICULTIES OF REACHING CONSENSUS WITHIN THE EC ON MANY OF THESE QUESTIONS. HE CONCLUDED WITH THE OBSERVATION THAT CREATION OF A NEW ECONOMIC ORDER MUST REST ON TWO PRINCIPLES: THAT IT MUST COME FROM FREE AGREEMENT AMONG THE NATIONS CONCERNED, AND THAT IT CANNOT BE THE RESULT OF A "VICTORY" OF ONE GROUP OF NATIONS OVER OTHER.

4. COMMENT: ALTHOUGH PERHAPS THE AUDIENCE WAS NOT APPROPRIATE FOR NEW POLICY DEPARTURES, GISCARD'S SPEECH

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WAS NONETHELESS DISAPPOINTING. IT COVERED NO NEW GROUND, OFFERED ANSWERS TO NO PROPOSITIONS MADE BY THE U.S. OR OTHERS, AND WAS SPECIFIC ONLY WHEN DEALING WITH THE FAMILIAR FRENCH THEMES OF COMMODITY MARKET ORGANIZATION AND STABILIZED EXCHANGE RATES. AS HAVE ALMOST ALL OFFICIAL FRENCH STATEMENTS ON THE SUBJECT, IT GLOSSED OVER THE HARD ECONOMIC REALITIES OF RESOURCE TRANSFER (THOUGH GISCARD DID MENTION, IN DEALING WITH

EXTENSION OF GENERALIZED TARIFF PREFERENCE SCHEMES,
THAT CERTAIN FRENCH INDUSTRIES SUCH AS TEXTILES WOULD
PROBABLY HAVE TO BE PROTECTED). IF IT CAN BE TAKEN AS
A MEASURE OF FRENCH PREPARATIONS FOR THE SUBSTANTIVE
PHASE OF THE PRODUCER-CONSUMER DIALOGUE, THE SPEECH
INDICATES THE NEED FOR MUCH SERIOUS WORK WITHIN THE GOF.
IT'S POLITICAL APPEAL TO THE LDCS IS EVIDENT.

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